

LPI CAPITAL BHD
Condensed Consolidated Statement of Profit or Loss for the Quarter Ended 31 March 2018 - Unaudited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 31.03.2018 RM'000	Preceding Year Corresponding Quarter Ended 31.03.2017 RM'000	Current Year To Date Ended 31.03.2018 RM'000	Preceding Year Corresponding Period Ended 31.03.2017 RM'000
Operating revenue	380,998	347,640	380,998	347,640
Gross written premiums	483,245	415,655	483,245	415,655
Change in unearned premiums provision	(133,516)	(97,436)	(133,516)	(97,436)
Gross earned premiums	349,729	318,219	349,729	318,219
Gross written premiums ceded to reinsurers	(205,243)	(178,595)	(205,243)	(178,595)
Change in unearned premiums provision	71,913	39,505	71,913	39,505
Premiums ceded to reinsurers	(133,330)	(139,090)	(133,330)	(139,090)
Net earned premiums	216,399	179,129	216,399	179,129
Investment income	31,269	29,421	31,269	29,421
Realised gains and losses	(69)	339	(69)	339
Fair value gains and losses	(1,042)	-	(1,042)	-
Commission income	31,102	30,350	31,102	30,350
Other operating income	2,720	831	2,720	831
Commission expense	(38,969)	(35,448)	(38,969)	(35,448)
Management expenses	(48,586)	(45,480)	(48,586)	(45,480)
Impairment loss on insurance receivables	(263)	-	(263)	-
Impairment loss on investment carried at amortised cost	(1)	-	(1)	-
Net operating expense	(23,839)	(19,987)	(23,839)	(19,987)
Gross claims paid	(139,864)	(101,194)	(139,864)	(101,194)
Claims ceded to reinsurers	47,175	29,290	47,175	29,290
Gross change in contract liabilities	4,887	(15,301)	4,887	(15,301)
Change in contract liabilities ceded to reinsurers	(14,089)	15,839	(14,089)	15,839
Net claims incurred	(101,891)	(71,366)	(101,891)	(71,366)
Operating profit	90,669	87,776	90,669	87,776
Finance costs	(4)	-	(4)	-
Share of profit after tax of equity accounted associated company	913	1,018	913	1,018
Profit before tax	91,578	88,794	91,578	88,794
Tax expense	(19,078)	(18,231)	(19,078)	(18,231)
Profit for the period	72,500	70,563	72,500	70,563
Profit attributable to:				
Owners of the Company	72,500	70,563	72,500	70,563
Earnings per ordinary share (sen)				
- Basic	21.84	21.25	21.84	21.25
- Diluted	N/A	N/A	N/A	N/A

N/A - Not Applicable.

Note : The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter Ended 31 March 2018 - Unaudited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended <u>31.03.2018</u> RM'000	Preceding Year Corresponding Quarter Ended <u>31.03.2017</u> RM'000	Current Year To Date Ended <u>31.03.2018</u> RM'000	Preceding Year Corresponding Period Ended <u>31.03.2017</u> RM'000
Profit for the period	72,500	70,563	72,500	70,563
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	(2,879)	1,809	(2,879)	1,809
Net gains on investments in available-for-sale assets	-	8,840	-	8,840
Income tax relating to these items	-	(97)	-	(97)
Items that will not be reclassified to profit or loss				
Net gains on investments in equity instrument designated at fair value through other comprehensive income	141,931	-	141,931	-
Income tax relating to these items	36	-	36	-
Total other comprehensive income for the period , net of tax	139,088	10,552	139,088	10,552
Total comprehensive income for the period attributable to owners of the Company	211,588	81,115	211,588	81,115

Note : The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.

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Condensed Consolidated Statement of Financial Position As At 31 March 2018 - Unaudited

	As At <u>31.03.2018</u>	As At <u>31.12.2017</u>
	RM'000	RM'000
Assets		
Plant and equipment	16,844	17,138
Investment properties	26,820	27,270
Investment in associated company	26,593	26,877
Other investments	1,297,643	1,146,699
Fair value through other comprehensive income	1,057,413	-
Fair value through profit or loss	165,191	-
Amortised cost	75,039	-
Available-for-sale financial assets	-	927,356
Held-to-maturity financial assets	-	219,343
Reinsurance assets	749,845	692,791
Loans and receivables, excluding insurance receivables	1,459,514	1,419,352
Insurance receivables	269,154	156,379
Deferred acquisition costs	31,987	33,650
Cash and cash equivalents	217,364	294,459
Total assets	<u>4,095,764</u>	<u>3,814,615</u>
Equity		
Share capital	338,244	338,244
Reserves	1,647,096	1,582,667
Total equity	<u>1,985,340</u>	<u>1,920,911</u>
Liabilities		
Insurance contract liabilities	1,762,846	1,636,422
Deferred tax liabilities	1,275	1,001
Finance lease liabilities	-	899
Insurance payables	214,896	121,894
Other payables	110,412	110,817
Tax payables	20,995	22,671
Total liabilities	<u>2,110,424</u>	<u>1,893,704</u>
Total equity and liabilities	<u>4,095,764</u>	<u>3,814,615</u>

Note : The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.

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Condensed Consolidated Statement of Changes in Equity for the Period Ended 31 March 2018 - Unaudited

	← Non-distributable →			Distributable	
	Share capital RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
<u>3 Months Period Ended 31 March 2018</u>					
At 31 December 2017	338,244	22,277	760,426	799,964	1,920,911
Changes on initial application of MFRS 9	-	-	(1,672)	3,993	2,321
At 1 January 2018	338,244	22,277	758,754	803,957	1,923,232
Profit for the period	-	-	-	72,500	72,500
Other comprehensive (loss) / income	-	(2,879)	141,967	-	139,088
Total comprehensive (loss) / income for the period	-	(2,879)	141,967	72,500	211,588
Distribution to owners of the Company					
- Dividends to owners of the Company	-	-	-	(149,394)	(149,394)
- Expenses for proposed bonus issue	-	-	-	(86)	(86)
Total transactions with owners of the Company	-	-	-	(149,480)	(149,480)
At 31 March 2018	338,244	19,398	900,721	726,977	1,985,340

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Condensed Consolidated Statement of Changes in Equity for the Period Ended 31 March 2018 - Unaudited (continued)

	←————— Non-distributable —————→			—————→ Distributable		
	Share capital	Share premium	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>3 Months Period Ended 31 March 2017</u>						
At 1 January 2017	331,986	6,258	27,073	713,601	758,398	1,837,316
Profit for the period	-	-	-	-	70,563	70,563
Other comprehensive income	-	-	1,809	8,743	-	10,552
Total comprehensive income for the period	-	-	1,809	8,743	70,563	81,115
Distribution to owners of the Company						
- Dividends to owners of the Company	-	-	-	-	(182,592)	(182,592)
Total transaction with owners of the Company	-	-	-	-	(182,592)	(182,592)
Transfer in accordance with Section 618(2) of the Companies Act 2016	(b) 6,258	(6,258)	-	-	-	-
At 31 March 2017	338,244	-	28,882	722,344	646,369	1,735,839

Notes : (a) The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.

(b) Pursuant to the Companies Act 2016 which came into effect on 31 January 2017, the concept of share premium will no longer be applicable and the amount stand to the credit of LPI's share premium balance of RM6,258,124 shall be consolidated as part of LPI's share capital. The amount of RM6,258,124 is available to be utilised in accordance with Section 618(3) of the Companies 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of the Act.)

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Condensed Consolidated Statement of Cash Flow for the Period Ended 31 March 2018 - Unaudited

	Current Year To Date Ended 31.03.2018 RM'000	Preceding Year Corresponding Period Ended 31.03.2017 RM'000
Operating activities		
Profit before tax	91,578	88,794
Investment income	(31,269)	(29,421)
Realised losses / (gains) recorded in profit or loss	69	(339)
Fair value losses recorded in profit or loss	1,042	-
Share of profit of equity accounted associated company	(913)	(1,018)
Purchase of held-to-maturity financial assets	-	(15,000)
Maturity of held-to-maturity financial assets	-	29,500
Purchase of financial assets carried at fair value through profit or loss	(12,585)	-
Maturity of financial assets carried at amortised cost	5,960	-
Interest on finance lease liabilities	4	-
Non-cash items:		
Depreciation of plant and equipment	850	690
Unrealised foreign exchange loss	45	141
Impairment loss on insurance receivables	263	-
Impairment loss on investment carried at amortised cost	1	-
Changes in working capital:		
Increase in loans and receivables	(41,009)	(16,273)
Increase in reinsurance assets	(57,824)	(55,344)
Increase in insurance receivables	(114,029)	(98,141)
Decrease / (increase) in deferred acquisition costs	1,650	(727)
Increase in insurance contract liabilities	128,629	112,737
Increase in insurance payables	93,040	94,606
(Decrease) / Increase in other payables	(142)	2,324
Cash generated from operating activities	65,360	112,529
Dividend income received	15,720	14,385
Interest income received	15,283	14,793
Rental income on investment property received	289	247
Income tax paid	(21,044)	(18,688)
Net cash flows generated from operating activities	75,608	123,266

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Condensed Consolidated Statement of Cash Flow for the Period Ended 31 March 2018 - Unaudited (continued)

	Current Year To Date Ended 31.03.2018 RM'000	Preceding Year Corresponding Period Ended 31.03.2017 RM'000
Investing activities		
Proceeds from disposal of plant and equipment	-	339
Purchase of plant and equipment	(608)	(168)
Net cash flows (used in) / generated from investing activities	(608)	171
Financing activities		
Expenses for proposed bonus issue	(86)	-
Dividends paid to owners of the Company	(149,394)	(182,592)
Repayment of finance lease liabilities	(888)	-
Net cash flows used in financing activities	(150,368)	(182,592)
Net decrease in cash and cash equivalents	(75,368)	(59,155)
Cash and cash equivalents at 1 January	294,459	332,517
Effect of movement in exchange rates	(1,727)	1,991
Cash and cash equivalents at 31 March	217,364	275,353

Note : The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.

**PART A – NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARD (“MFRS”) 134**

A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with MFRS 134, Interim Financial Reporting in Malaysia and with IAS 34, Interim Financial Reporting, and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2017.

The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group’s consolidated audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following:

MFRSs/ Amendments/Interpretations	Effective date
MFRS 9, <i>Financial Instruments (2014)</i>	1 January 2018
MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 15, <i>Revenue from Contracts with Customers - Clarifications to MFRS 15, Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 4, <i>Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4, Insurance Contracts</i>	1 January 2018
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)</i>	1 January 2018
Amendments to MFRS 140, <i>Investment Properties – Transfers of Investment Property</i>	1 January 2018
IC Interpretation 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018

The initial application of the abovementioned standards, amendments and interpretations did not have any material impact to the current and prior periods financial statements upon their first adoption except as mentioned in note A2 “changes in accounting policies”.

A2. CHANGES IN ACCOUNTING POLICIES

MFRS 9, *Financial Instruments*

The Group has adopted MFRS 9, *Financial Instruments* issued in July 2014 with a date of initial application on 1 January 2018.

The key changes to the Group's accounting policies resulting from its adoption of MFRS 9 are summarised below.

(i) *Classification of financial assets and financial liabilities*

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost (“AC”);
- Fair Value through Other Comprehensive Income (“FVOCI”); and
- Fair Value through Profit or Loss (“FVTPL”).

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity (“HTM”), Loans and Receivables (“L&R”) and Available-for Sale (“AFS”).

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) *Impairment of financial assets*

MFRS 9 replaces the “incurred loss” model in MFRS 139 with a forward-looking “expected credit loss” (“ECL”) model. This requires considerable judgement about how changes in economic factors affect ECLs, which is determined on a probability-weighted basis. Under MFRS 9, credit losses are recognised earlier than under MFRS 139.

The new impairment model is applied to financial assets measured at AC or FVOCI, except for investments in equity instruments.

Under MFRS 9, loss allowances will be measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *Lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, the Group has adopted lifetime ECL measurements for insurance receivables due to the expected lifetime period of insurance receivables are generally less than 12 months.

The calculation of ECL requires the modelling of three parameters that define:

- *Exposure at Default (EAD)*: The Group’s gross credit exposure to the counterparty at the time of default;
- *Probability of Default (PD)*: The likelihood of the counterparty defaulting on its contractual obligation to the Group; and
- *Loss Given Default (LGD)*: The amount or the percentage of an outstanding claim on the counterparty that is not likely to be recovered in the event of a default.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iii) Transition upon the adoption of MFRS 9

Changes in accounting policies resulting from the adoption of MFRS 9 have been applied retrospectively, except as described below.

- i. Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as of 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of MFRS 9 and therefore is not comparable to the information presented for 2018 under MFRS 9.
- ii. The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- iii. If a debt security had low credit risk at the date of initial application of MFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iv) *Effect of initial application*

(1) *Classification of financial assets and financial liabilities on the date of initial application of MFRS 9*

The following table and the accompanying notes below shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's financial assets as at 1 January 2018.

Group Financial assets	Notes	Original classification under MFRS 139	Original carrying amount RM'000	New classification under MFRS 9	New carrying amount RM'000
Investment in equity instruments	(a)	AFS	915,544	FVOCI	915,544
Other investments	(b)	AFS	11,812	FVTPL	12,892
Investment in debt securities	(c)	HTM	81,190	AC	81,177
Investment in debt securities	(d)	HTM	138,153	FVTPL	140,898
Reinsurance assets		L&R	368,354	AC	368,354
Loans and receivables, excluding insurance receivables		L&R	1,419,352	AC	1,419,352
Insurance receivables		L&R	156,379	AC	155,507
Cash and cash equivalents		L&R	243,027	AC	243,027
Liquid investment classified as cash and cash equivalent	(e)	L&R	51,432	FVTPL	51,432
			3,385,243		3,388,183

There were no changes to the Group's classification and measurement of the financial liabilities on the adoption of MFRS 9.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iv) Effect of initial application (continued)

(1) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

- (a) Equity investments with a fair value of RM915,544,000 were classified as available-for-sale. On the adoption of MFRS 9, the Group has elected to designate this investment that are held for long-term strategic purpose to be measured at FVOCI;
- (b) Unit trust, real estate investment trusts (REITs), exchange-traded fund (ETF), equity securities (other than equity investment mentioned in (a) above) with a fair value of RM11,812,000 were classified as available-for-sale. On the adoption of MFRS 9, the Group has designated these investments that are managed on fair value basis to be measured at FVTPL and the fair value was remeasured at RM12,892,000 resulted from the recognition of unrealised gains for unquoted equity instrument;
- (c) Debt securities classified as held-to-maturity with carrying amount of RM81,190,000 that are held to collect contractual cash flows before the adoption of MFRS 9. On the adoption of MFRS 9, the Group has designated these debts securities to be measured at amortised cost and subject to impairment test under MFRS 9 with “expected credit loss” model;
- (d) Debt securities classified as held-to-maturity with carrying amount of RM138,153,000 that are held to collect contractual cash flows before the adoption of MFRS 9. On the adoption of MFRS 9, these debt securities have not passed the solely payments of principal and interest (SPPI) test. As such, the Group has designated this investment in debt securities to be measured at FVTPL at the fair value of RM140,898,000; and
- (e) Liquid investment was classified as loans and receivables with carrying amount of RM51,432,000. On the adoption of MFRS 9, the liquid investment has not passed the SPPI test. As such, the Group has designated this investment to be measured at FVTPL.

Consequently, for financial assets designated as measured at FVTPL, all fair value gains and losses were reported in profit or loss. For financial assets measured at FVOCI, all fair value gains and losses were reported in Other Comprehensive Income, no impairment losses were recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal for these financial assets.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iv) *Effect of initial application (continued)*

(1) *Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)*

The following table reconciles the carrying amounts under MFRS 139 to the carrying amounts under MFRS 9 on the transition to MFRS 9 on 1 January 2018:

Group Financial assets	MFRS 139 carrying amount At 31.12.2017 RM'000	Reclassification / Remeasurement At 1.1.2018 RM'000	MFRS 9 carrying amount At 1.1.2018 RM'000
Available-for-sale (AFS) Brought forward Reclassification to FVOCI Reclassification to FVTPL Carried forward	927,356	(915,544) (11,812)	-
Held-to-maturity (HTM) Brought forward Reclassification to AC Reclassification to FVTPL Carried forward	219,343	(81,190) (138,153)	-
FVOCI Brought forward Reclassification from AFS Carried forward	-	915,544	915,544
FVTPL Brought forward Reclassification from AFS Reclassification from HTM Remeasurement: - Fair value gains on unquoted shares - Fair value gains on debt securities Carried forward	-	11,812 138,153 1,080 2,745	153,790
Amortised Cost (AC) Brought forward Reclassification from HTM Remeasurement: - Allowance for ECL Carried forward	-	81,190 (13)	81,177
Reinsurance assets	368,354		368,354

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iv) *Effect of initial application (continued)*

(1) *Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)*

Group Financial assets	MFRS 139 carrying amount At 31.12.2017 RM'000	Reclassification / Remeasurement At 1.1.2018 RM'000	MFRS 9 carrying amount At 1.1.2018 RM'000
Loans and receivables, excluding insurance receivables	1,419,352		1,419,352
Insurance receivables Brought forward Remeasurement: - Allowance for ECL Carried forward	156,379	(872)	155,507
Cash and cash Equivalents	294,459		294,459
Total	3,385,243	2,940	3,388,183

(2) *Impairment of financial assets*

The following table reconciles:

- The closing impairment allowance for financial assets in accordance with MFRS 139 as at 31 December 2017; to
- The opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018.

	MFRS 139 Allowance At 31.12.2017 RM'000	Remeasurement RM'000	MFRS 9 Allowance At 1.1.2018 RM'000
Held-to-maturity investment in debt securities under MFRS 139 reclassified to amortised cost under MFRS 9	-	13	13
Insurance receivables measured at amortised cost under MFRS 139 and MFRS 9	38	872	910
	38	885	923

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iv) *Effect of initial application (continued)*

(3) *Effect on fair value reserve and retained earnings*

The following table summarises the impact, net of tax, of transition to MFRS 9 on the opening fair value reserve and retained earnings. There is no impact on other components of equity.

	Impact of adopting MFRS 9 At 1.1.2018 RM'000
Fair value reserve	
Closing balance under MFRS 139 at 31 December 2017	760,426
Reclassification of fair value reserve to retained earnings for financial assets reclassified from AFS to FVTPL	(2,102)
Deferred tax liabilities	430
Opening balance under MFRS 9 at 1 January 2018	<u>758,754</u>
Retained earnings	
Closing balance under MFRS 139 at 31 December 2017	799,964
Reclassification from fair value reserve for financial assets reclassified from AFS to FVTPL	2,102
Recognition of fair value gains for unquoted shares reclassified from AFS to FVTPL	1,080
Deferred tax liabilities	(689)
Impact at 1 January 2018	<u>2,493</u>
Recognition of fair value gains for financial assets reclassified from HTM to FVTPL	2,745
Deferred tax liabilities	(571)
Impact at 1 January 2018	<u>2,174</u>
Recognition of expected credit losses under MFRS 9	(885)
Deferred tax assets	211
Impact at 1 January 2018	<u>(674)</u>
Opening balance under MFRS 9 at 1 January 2018	<u>803,957</u>

A3. COMMENTS ON SEASONALITY OR CYCLICALITY

The Group's insurance business operations were not significantly affected by seasonality or cyclical factors for the period under review.

However, for the investment holding segment, the dividend income generated from the dividend stocks are subject to timing of the payment of dividend which may fluctuate when comparing quarter to quarter. The Group's investment income is seasonally stronger in 1st Quarter and 3rd Quarter.

A4. UNUSUAL ITEM AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no items affecting assets, liabilities, equity, net income, or cash flows which are unusual because of their nature, size, or incidence in the current interim period ended 31 March 2018, except for the full repayment of the finance lease liabilities of RM899,000.

A5. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current interim period ended 31 March 2018 other than disclosed in note A2 "changes in accounting policies".

A6. ISSUES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by LPI Capital Bhd ("LPI") in the current interim period ended 31 March 2018.

A7. DIVIDEND PAID

In the current interim period ended 31 March 2018, the Company paid a second interim single tier dividend of 45.00 sen per ordinary share amounting to RM149,393,614 in respect of the financial year ended 31 December 2017 on 6 February 2018.

A8. OPERATING SEGMENT

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports on a monthly basis. Inter-segment pricing, if any, is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The Group comprises the following main business segments:

General insurance - Underwriting of all classes of general insurance business, mainly carried out by Lonpac Insurance Bhd

Investment holding - Investment holding operations, mainly carried out by LPI Capital Bhd

Segment reporting:

RM'000	← 3 Months Ended →					
	General insurance		Investment holding		Total	
	2018	2017	2018	2017	2018	2017
External revenue	364,885	331,633	16,113	16,007	380,998	347,640
Inter-segment revenue	-	-	130,000	110,000	130,000	110,000
Segment profit before tax	77,251	74,069	144,327	124,725	221,578	198,794
Segment assets	2,905,475	2,729,215	1,390,289	1,238,660	4,295,764	3,967,875
Segment liabilities	2,108,953	2,030,861	1,471	1,175	2,110,424	2,032,036

A8. OPERATING SEGMENT (CONT'D)

i) Reconciliation of reportable segment profit:

RM'000	← 3 Months Ended →	
	<u>2018</u>	<u>2017</u>
Total profit for reportable segments	221,578	198,794
Elimination of inter-segment profit	(130,000)	(110,000)
Consolidated profit before tax	<u>91,578</u>	<u>88,794</u>

ii) Reconciliation of reportable segment assets:

RM'000	← 3 Months Ended →	
	<u>2018</u>	<u>2017</u>
Total assets for reportable segments	4,295,764	3,967,875
Elimination of inter-segment assets	(200,000)	(200,000)
Consolidated assets	<u>4,095,764</u>	<u>3,767,875</u>

A9. EVENTS AFTER THE INTERIM PERIOD

There were no material events after the interim period that have not been reflected in the financial statements for the interim period.

A10. EFFECT OF CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarterly period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations.

A11. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

On 22 February 2017, Lonpac Insurance Bhd (“Lonpac”), a wholly-owned subsidiary of LPI Capital Bhd (“LPI”), received a Notice of Proposed Decision (“Proposed Decision”) by the Malaysia Competition Commission (“MyCC”) under Section 36 of the Competition Act 2010 (“The Act”).

MyCC informed that pursuant to its investigation, the commission on the preliminary basis finds that Lonpac together with the other 21 members of Persatuan Insurans Am Malaysia (“PIAM”) have infringed the prohibition under Section 4(2)(a) of the Act for fixing parts trade discounts and labour rates for repair workshops and are therefore liable for an infringement under Section 4(3) of the Act.

MyCC has also proposed to impose a financial penalty of RM8,301,445 on Lonpac for the alleged infringement. The Proposed Decision is not final as at the date of this report, and Lonpac in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the Act.

Saved as disclosed above, the Group does not have any other contingent assets and liabilities since the last annual balance sheet date.

A12. FINANCIAL INSTRUMENTS

Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the condensed consolidated statement of financial position.

<u>31.03.2018</u>	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				<u>Total fair value</u>	<u>Carrying amount</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>		
RM'000										
Financial assets										
<i>Fair value through other comprehensive income</i>										
- Quoted share	1,057,413	-	-	1,057,413	-	-	-	-	1,057,413	1,057,413
<i>Fair value through profit or loss</i>										
- Unit trust	5,805	-	-	5,805	-	-	-	-	5,805	5,805
- Real estate investment trusts ("REITs")	2,183	-	-	2,183	-	-	-	-	2,183	2,183
- Exchange-traded fund ("ETF")	597	-	-	597	-	-	-	-	597	597
- Quoted shares	3,978	-	-	3,978	-	-	-	-	3,978	3,978
- Unquoted shares	-	1,314	-	1,314	-	-	-	-	1,314	1,314
- Corporate bonds and Sukuk	151,314	-	-	151,314	-	-	-	-	151,314	151,314
<i>Amortised cost</i>										
- Malaysian government guaranteed loans	-	-	-	-	-	40,293	-	40,293	40,293	40,050
- Corporate bonds and Sukuk	-	-	-	-	-	34,937	-	34,937	34,937	34,989
	1,221,290	1,314	-	1,222,604	-	75,230	-	75,230	1,297,834	1,297,643

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

31.12.2017	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
RM'000										
Financial assets										
<i>Available-for-sale financial assets</i>										
- Unit trust	5,976	-	-	5,976	-	-	-	-	5,976	5,976
- Real estate investment trusts ("REITs")	978	-	-	978	-	-	-	-	978	978
- Exchange-traded fund ("ETF")	631	-	-	631	-	-	-	-	631	631
- Quoted shares	919,536	-	-	919,536	-	-	-	-	919,536	919,536
<i>Held-to-maturity financial assets</i>										
- Malaysian government guaranteed loans	-	-	-	-	-	40,344	-	40,344	40,344	40,055
- Corporate bonds and Sukuk	-	-	-	-	-	181,862	-	181,862	181,862	179,288
	927,121	-	-	927,121	-	222,206	-	222,206	1,149,327	1,146,464
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(899)	(899)	(899)	(899)

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the current interim period ended 31 March 2018. (31.03.2017: no transfer in either directions).

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Finance lease Liabilities	Discounted cash flow using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

A13. CAPITAL AND OTHER COMMITMENTS

RM'000	<u>31.03.2018</u>	<u>31.12.2017</u>
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	11,724	11,724

A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions of the Group are as follows:-

RM'000	<u>Companies in which a Director has substantial financial interest</u>	
	Current Year To Date Ended <u>31.03.2018</u>	Preceding Year Corresponding Period Ended <u>31.03.2017</u>
Income earned:		
Premium income	23,910	23,563
Dividend income	15,235	14,264
Fixed deposits income	1,434	1,906
Corporate bonds and sukuk income	775	857
	<u>41,354</u>	<u>40,590</u>
Expenditure incurred:		
Rental paid	(729)	(731)
Insurance commission	(12,918)	(11,467)
Stock broking commission	(86)	-
	<u>(13,733)</u>	<u>(12,198)</u>

**PART B – ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD
LISTING REQUIREMENTS**

B1. REVIEW OF GROUP PERFORMANCE

Table 1: Financial review for current quarter and financial period to date

RM'mil	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	Preceding Year Corresponding Period Ended		
	31.03.2018	31.03.2017	Amount	% / ppt (*)	31.03.2018	31.03.2017	Amount	% / ppt (*)
Revenue by segments								
General insurance segment	364.9	331.6	33.3	10.0%	364.9	331.6	33.3	10.0%
Gross earned premiums	349.7	318.2	31.5	9.9%	349.7	318.2	31.5	9.9%
Investment income	15.2	13.4	1.8	13.4%	15.2	13.4	1.8	13.4%
Investment holding segment								
Investment income	16.1	16.0	0.1	0.6%	16.1	16.0	0.1	0.6%
Total revenue	381.0	347.6	33.4	9.6%	381.0	347.6	33.4	9.6%
Revenue by geographical locations								
Malaysia	364.7	328.6	36.1	11.0%	364.7	328.6	36.1	11.0%
Singapore	16.3	19.0	(2.7)	(14.2)%	16.3	19.0	(2.7)	(14.2)%
Total revenue	381.0	347.6	33.4	9.6%	381.0	347.6	33.4	9.6%
Operating profit	90.7	87.8	2.9	3.3%	90.7	87.8	2.9	3.3%

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 1: Financial review for current quarter and financial period to date (continued)

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	Preceding Year Corresponding Period Ended		
	31.03.2018	31.03.2017	Amount	% / ppt (*)	31.03.2018	31.03.2017	Amount	% / ppt (*)
Profit before tax by segments								
General insurance (RM'mil)	77.3	74.1	3.2	4.3%	77.3	74.1	3.2	4.3%
Investment holding (RM'mil)	14.3	14.7	(0.4)	(2.7)%	14.3	14.7	(0.4)	(2.7)%
Total profit before tax	91.6	88.8	2.8	3.2%	91.6	88.8	2.8	3.2%
Profit before tax by geographical locations								
Malaysia (RM'mil)	91.6	86.0	5.6	6.5%	91.6	86.0	5.6	6.5%
Singapore (RM'mil)	(0.9)	1.8	(2.7)	(150.0)%	(0.9)	1.8	(2.7)	(150.0)%
Cambodia (RM'mil)	0.9	1.0	(0.1)	(10.0)%	0.9	1.0	(0.1)	(10.0)%
Total profit before tax	91.6	88.8	2.8	3.2%	91.6	88.8	2.8	3.2%
Profit attributable to owners of the Company (RM'mil)	72.5	70.6	1.9	2.7%	72.5	70.6	1.9	2.7%
Net return on equity (%)	3.7	4.1	-	(0.4) ppt	3.7	4.1	-	(0.4) ppt
Earnings per share (sen)	21.84	21.25	0.59	2.8%	21.84	21.25	0.59	2.8%

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 1: Financial review for current quarter and financial period to date (continued)

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	Preceding Year Corresponding Period Ended		
	31.03.2018	31.03.2017	Amount	% / ppt (*)	31.03.2018	31.03.2017	Amount	% / ppt (*)
General insurance gross written premiums (RM'mil)	483.2	415.7	67.5	16.2%	483.2	415.7	67.5	16.2%
General insurance net earned premiums (RM'mil)	216.4	179.1	37.3	20.8%	216.4	179.1	37.3	20.8%
General insurance underwriting profit (RM'mil)	59.6	58.5	1.1	1.9%	59.6	58.5	1.1	1.9%
General insurance claims incurred ratio (%)	47.1	39.8	-	7.3 ppt	47.1	39.8	-	7.3 ppt
General insurance management expenses ratio (%)	21.7	24.7	-	(3.0) ppt	21.7	24.7	-	(3.0) ppt
General insurance commission ratio (%)	3.6	2.8	-	0.8 ppt	3.6	2.8	-	0.8 ppt
General insurance combined ratio (%)	72.4	67.3	-	5.1 ppt	72.4	67.3	-	5.1 ppt

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 2: Underwriting results of general insurance for the financial period ended 31 March:

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Gross written premiums	198,338	176,547	83,130	76,839	36,073	34,276	165,704	127,993	483,245	415,655
Change in unearned premiums provision	(50,228)	(46,943)	(8,995)	(2,988)	(13,938)	(13,926)	(60,355)	(33,579)	(133,516)	(97,436)
Gross earned premiums	148,110	129,604	74,135	73,851	22,135	20,350	105,349	94,414	349,729	318,219
Gross written premiums ceded to reinsurers	(82,784)	(74,331)	(3,793)	(7,015)	(30,671)	(29,577)	(87,995)	(67,672)	(205,243)	(178,595)
Change in unearned premiums provision	26,586	20,287	(3,677)	(5,023)	13,535	12,137	35,469	12,104	71,913	39,505
Premiums ceded to reinsurers	(56,198)	(54,044)	(7,470)	(12,038)	(17,136)	(17,440)	(52,526)	(55,568)	(133,330)	(139,090)
Net earned premiums	91,912	75,560	66,665	61,813	4,999	2,910	52,823	38,846	216,399	179,129
Net claims incurred	(17,439)	(14,462)	(56,536)	(38,597)	(667)	(765)	(27,249)	(17,542)	(101,891)	(71,366)
Commission income	11,832	10,663	949	2,377	2,158	2,159	16,163	15,151	31,102	30,350
Commission expense	(17,030)	(15,125)	(7,061)	(7,258)	(1,405)	(1,229)	(13,473)	(11,836)	(38,969)	(35,448)
Net commission	(5,198)	(4,462)	(6,112)	(4,881)	753	930	2,690	3,315	(7,867)	(5,098)
Total out-go	(22,637)	(18,924)	(62,648)	(43,478)	86	165	(24,559)	(14,227)	(109,758)	(76,464)
Underwriting surplus before management expenses	69,275	56,636	4,017	18,335	5,085	3,075	28,264	24,619	106,641	102,665
Management expenses of the insurance fund									(47,056)	(44,194)
Underwriting surplus after management expenses									59,585	58,471
Net claims incurred ratio (%)	19.0	19.1	84.8	62.4	13.3	26.3	51.6	45.2	47.1	39.8

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Revenue

Despite the implementation of Phase 2 of the Liberalisation Framework effective from 1st July 2017, whereby the general insurance market is expected to see keener competition and pricing pressure on motor and fire insurances, the revenue of the Group grew by RM33.4 million to RM381.0 million from RM347.6 million in the first quarter of 2018, an increase of 9.6% as compared to the corresponding quarter last year. The increase was mainly driven by growth in gross earned premium of 9.9% or RM31.5 million from its general insurance segment. This was the result of our organic growth as we continued to build market share with our diversified distribution channels especially strong agency network. Investment holding segment increased marginally to RM16.1 million from RM16.0 million in the corresponding quarter in 2017 due to higher dividend income received.

Profit Before Tax

Profit before tax of the Group for the first quarter of 2018 increased to RM91.6 million from RM88.8 million in the corresponding quarter in 2017. The increase was contributed by profit from the general insurance segment, which increased by 4.3% to RM77.3 million from RM74.1 million in the first quarter of 2017. Underwriting profit for the quarter rose by 1.9% to RM59.6 million from RM58.5 million previously, mainly contributed by a strong growth in net earned premium by 20.8% to RM216.4 million from RM179.1 million in the corresponding quarter in 2017. The investment holding segment recorded a marginally lower profit before tax of RM14.3 million as compared to RM14.7 million in the corresponding quarter in 2017 mainly due to higher management expenses during the current quarter.

Geographically, approximately 100.0% of the Group's total profit before tax in the first quarter of 2018 was generated in Malaysia.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 3: Other comprehensive income for current quarter and financial period to date

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 31.03.2018	Preceding Year Corresponding Quarter Ended 31.03.2017	Current Year To Date Ended 31.03.2018	Preceding Year Corresponding Period Ended 31.03.2017
RM' mil				
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	(2.9)	1.8	(2.9)	1.8
Net gains on investments in available-for-sale assets	-	8.9	-	8.9
Income tax relating to these items	-	(0.1)	-	(0.1)
Items that will not be reclassified to profit or loss				
Net gains on investments in equity instrument designated at fair value through other comprehensive income	141.9	-	141.9	-
Income tax relating to these items	0.1	-	0.1	-
Total other comprehensive income for the period, net of tax	139.1	10.6	139.1	10.6

The Group's total other comprehensive income for the three months ended 31 March 2018 increase substantially to RM139.1 million as compared to RM10.6 million in the corresponding quarter in 2017. The increase was mainly due to higher unrealised gain on its investment in listed equities, which was reclassified from available-for-sale assets to fair value through other comprehensive income upon adoption of MFRS 9.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 4: Review of assets and liabilities

RM'mil	As at 31.03.2018	As at 31.12.2017	Changes	
			Amount	%
Total assets	4,095.8	3,814.6	281.2	7.4
Total liabilities	2,110.4	1,893.7	216.7	11.4
Total equity	1,985.3	1,920.9	64.4	3.4

Total assets

As at 31 March 2018, the Group's total assets increased by RM281.2 million to RM4,095.8 million from RM3,814.6 million as at 31 December 2017. The increase was mainly attributed by the growth in investment in equities (reclassified as fair value through other comprehensive income under MFRS 9) and higher insurance receivables. Insurance receivables increased by 72.1% primarily due to higher growth in gross premium income of 16.2% to RM483.2 million. The general insurance segment accounted for 70.9% of the Group's total assets as at 31 March 2018.

Total liabilities

As at 31 March 2018, total liabilities of the Group increased to RM2,110.4 million from RM1,893.7 million as at 31 December 2017. This mainly consist of RM126.4 million increased in insurance contract liabilities and RM93.0 million insurance payables of its general insurance segment.

Total equity

The Group's total equity as at 31 March 2018 increased by 3.4% or RM64.4 million to RM1,985.3 million from RM1,920.9 million in 2017 after the payment of dividends amounting to RM149.4 million during the current quarter. The increase was mainly due to strong growth in the market value of its equity investment. As a result, the Group's fair value reserve rose by 18.5% or RM140.3 million to RM900.7 million from RM760.4 million as at 31 December 2017. The Group's net tangible asset per share increased to RM5.98 as compared to RM5.79 as at 31 December 2017.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 5: Breakdown of Key Financial Information of Foreign Operation - Lonpac Insurance Bhd (Singapore Branch)

Exchange rate as at 31.03.2018 SGD1.00 = RM2.98	Functional Currency SGD'000	Reporting Currency RM'000
Gross earned premiums	5,058	15,073
Investment income	409	1,219
Total revenue	5,467	16,292
Loss before tax	(315)	(939)
Loss after tax	(310)	(924)
Total assets	92,326	275,132
Total liabilities	50,212	149,633

For consolidation purpose, the financial statements of Singapore Branch of its subsidiary, Lonpac Insurance Bhd are translated from SGD to RM at exchange rate at the end of the reporting period.

The Singapore Branch's performance was below expectation on lower earned premiums and higher claims incurred.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 6: Review of statement of cash flow

RM'mil	Current Year To Date Ended 31.03.2018	Preceding Year Corresponding Period Ended 31.03.2017
Profit after tax	72.5	70.6
Net cash flows generated from operating activities	75.6	123.3
Net cash flows (used in) / generated from investing activities	(0.6)	0.2
Net cash flows used in financing activities	(150.4)	(182.6)
Net decrease in cash and cash equivalents	(75.4)	(59.1)
Cash and cash equivalents at 1 January	294.5	332.5
Effect of movement in exchange rates	(1.7)	2.0
Cash and cash equivalents at 31 March	217.4	275.4

LPI Group has held a strong reputation for its ability to generate sustainable profits and its wholly-owned insurance subsidiary, Lonpac Insurance Bhd (Lonpac) is generally one of the most profitable general insurance company in Malaysia.

For the three months period ended 31 March 2018, the analysis of the cash flow statement of the Group shows that the profitability and operating cash flow of the Group remains healthy and strong. The ratio of cash flow from operating activities to net income was 104.3% (RM75.6 million / RM72.5 million). The ratio of 104.3% indicates the ability of the Group to generate sufficient cash flow from its core operating activities to meet its obligations including insurance contracts and to pay dividend. It is worth to note that for the current financial period under review, the group has increased its fixed income investment (classified as loans and receivable) by RM40.1 million to RM1,459.5 million from RM1,419.4 million as at 31 December 2017, the increase was mainly due to renewal or new placement of fixed deposits for more than 3 months.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Review of statement of cash flow (continued)

The Group has relatively low spending on plant and equipment due to its core business are underwriting of general insurance. The Group's capital expenditure for the current financial period under review was RM0.6 million. The Group's main investing activities are investment on information technology and purchase of computer equipment.

The Group's balance sheet is not laden with debts other than insurance contract liabilities which increased by RM126.4 million to RM1,762.8 million for the three months period ended 31 March 2018. The Group has generated sufficient free cash flow to pay a second interim dividend of 45.0 sen per share amounting to RM149.4 million on 6 February 2018 in respect of the financial year ended 31 December 2017.

B2. MATERIAL CHANGES IN THE PROFIT BEFORE TAX FOR THE QUARTER REPORTED ON WITH THE IMMEDIATE PRECEDING QUARTER

	Current Year Quarter Ended 31.03.2018	Immediate Preceding Quarter Ended 31.12.2017	Changes	
			Amount	% / ppt
Gross earned premiums (RM'mil)	349.7	346.7	3.0	0.9%
Investment income (RM'mil)	31.3	16.8	14.5	86.3%
Total revenue (RM'mil)	381.0	363.5	17.5	4.8%
Operating profit (RM'mil)	90.7	110.2	(19.5)	(17.7)%
Profit before tax (RM'mil)	91.6	110.7	(19.1)	(17.3)%
Profit attributable to owners of the Company (RM'mil)	72.5	83.0	(10.5)	(12.7)%
Net return on equity (%)	3.7	4.3	-	(0.6) ppt
Earnings per share (sen)	21.84	25.00	(3.16)	(12.6)%
General insurance gross written premiums (RM'mil)	483.2	281.8	201.4	71.5%
General insurance net earned premiums (RM'mil)	216.4	227.1	(10.7)	(4.7)%
General insurance underwriting profit (RM'mil)	59.6	93.2	(33.6)	(36.1)%
General insurance claims incurred ratio (%)	47.1	34.6	-	12.5 ppt
General insurance management expenses ratio (%)	21.7	17.3	-	4.4 ppt
General insurance commission ratio (%)	3.6	7.0	-	(3.4) ppt
General insurance combined ratio (%)	72.4	58.9	-	13.5 ppt

For the first quarter ended 31 March 2018, the Group recorded a lower profit before tax of RM91.6 million as compared to RM110.7 million in the preceding quarter ended 31 December 2017. The decrease in the profit before tax for the current quarter was mainly due to higher claims incurred and management expenses.

B3. CURRENT YEAR PROSPECTS

- a) According to the recently released Bank Negara Malaysia's Annual Report, the Malaysian economy is projected to grow by 5.5% - 6.0% in 2018 amid stronger global economic conditions. Domestic demand will continue to be the anchor of growth, supported by private sector activity. If the healthy economic conditions can translate into stronger demand for insurance services, the insurance industry in general should see a better year for 2018.

With the positive economic environment, the Group will continue to build its market share through organic growth strategy. We will seize the opportunities presented by the new liberalised regime to further strengthen our market position particularly through new product development and the implementation of the new digital strategy.

We hope that with the implementation of our strategic plans, we can report more favourable performance for the subsequent quarters despite the challenging environment.

- b) Commentary on the Company's progress to achieve the financial estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document and steps taken or proposed to be taken to achieve the financial estimate, forecast, projection or internal targets. – Not Applicable.

B4. STATEMENT ON FINANCIAL ESTIMATE, FORECAST, PROJECTION OR INTERNAL TARGETS PREVIOUSLY ANNOUNCED OR DISCLOSED IN A PUBLIC DOCUMENT

A statement of the Board of Directors' opinion as to whether the financial estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document are likely to be achieved. – Not Applicable.

B5. EXPLANATORY NOTE FOR VARIANCE FROM A FINANCIAL ESTIMATE, FORECAST OR PROJECTION OR PROFIT GUARANTEE PREVIOUSLY ANNOUNCED OR DISCLOSED IN A PUBLIC DOCUMENT

- a) Any variance of actual profit after tax and minority interest and the profit after tax and minority interest stated in the financial estimate, forecast or projection (where the variance exceeds 10%). – Not Applicable.
- b) Any shortfall in the profit guarantee received by the Company and steps to recover the shortfall. – Not Applicable.

B6. TAXATION

RM'000	Individual Period		Cumulative Period	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year Corresponding Period Ended
	<u>31.03.2018</u>	<u>31.03.2017</u>	<u>31.03.2018</u>	<u>31.03.2017</u>
Profit before tax	91,578	88,794	91,578	88,794
Income tax:				
Current tax charge	19,372	18,231	19,372	18,231
Deferred taxation	(294)	-	(294)	-
Total tax expense	19,078	18,231	19,078	18,231
Effective tax rate on current tax charge	21%	21%	21%	21%

The effective tax rate on the current tax charge of the Group for the current quarter and financial period ended 31 March 2018 is lower than the statutory tax rate mainly due to tax-exempt dividends received and certain income being taxed at a reduced rate.

B7. STATUS OF CORPORATE PROPOSALS

- a) There was no corporate proposal announced but not completed as at 19 April 2018, the latest practicable date which is not earlier than 7 days from the date of the issue of this quarterly report.
- b) Brief explanation of the status of utilisation of proceeds raised from any corporate proposal – Not Applicable.

B8. GROUP BORROWINGS AND DEBT SECURITIES

The Group has no outstanding borrowings and debt securities for the current interim period ended 31 March 2018.

B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 March 2018. – Not Applicable.

B10. GAINS/ LOSSES ARISING FROM FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

There were no gains/ losses arising from fair value changes of the financial liabilities for the current quarter and financial period ended 31 March 2018.

B11. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 19 April 2018, which is not earlier than 7 days from date of issue of this quarterly report.

B12. DIVIDEND

No interim ordinary dividend has been recommended in this quarter.

B13. EARNINGS PER SHARE

a) Basic earnings per share

	Individual Period		Cumulative Period	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year Corresponding Period Ended
	<u>31.03.2018</u>	<u>31.03.2017</u>	<u>31.03.2018</u>	<u>31.03.2017</u>
Profit after tax (RM'000)	72,500	70,563	72,500	70,563
Weighted average no. of ordinary shares in issue ('000)	331,986	331,986	331,986	331,986
Basic earnings per share (sen)	21.84	21.25	21.84	21.25

b) Diluted earnings per share. – Not Applicable.

B14. PROFIT FOR THE PERIOD

	Individual Period		Cumulative Period	
	Current Year Quarter Ended <u>31.03.2018</u> RM'000	Preceding Year Corresponding Quarter Ended <u>31.03.2017</u> RM'000	Current Year To Date Ended <u>31.03.2018</u> RM'000	Preceding Year Corresponding Period Ended <u>31.03.2017</u> RM'000
Profit for the period is arrived at after charging:				
Finance costs	4	-	4	-
Depreciation of plant and equipment (N1)	850	690	850	690
Allowance for impairment loss on insurance receivables (N1)	-	28	-	28
Net foreign exchange loss (N1)	52	197	52	197
Impairment loss on insurance receivables	263	-	263	-
Impairment loss on investment carried at amortised cost	1	-	1	-
Loss on disposal of unquoted investment (N3)	69	-	69	-
and after crediting:				
Interest income (N2)	15,260	14,789	15,260	14,789
Dividend income (N2)	15,720	14,385	15,720	14,385
Rental income (N2)	289	247	289	247

Other than the items above which have been included in the Condensed Consolidated Statement of Profit or Loss, there were no impairment of assets, gain or loss on derivatives and exceptional items for the current financial period ended 31 March 2018.

(N1) Depreciation of plant and equipment, allowance for impairment loss on insurance receivables and net foreign exchange loss are reported under item management expenses in the Condensed Consolidated Statement of Profit or Loss.

(N2) Interest income, dividend income and rental income are reported under item investment income in the Condensed Consolidated Statement of Profit or Loss.

B14. PROFIT FOR THE PERIOD (CONTINUED)

(N3) Loss on disposal of unquoted investment is reported under item realised gains and losses in the Condensed Consolidated Statement of Profit or Loss.

B15. ADDITIONAL DISCLOSURE INFORMATION

Trade receivables

The credit terms of trade receivables granted to related parties are no different from those granted to non-related parties.

A trade receivable is deemed past due when the counter party has failed to make payment when the outstanding amount are contractually due.

Age analysis of trade receivables past due but not impaired:

	<30 days RM'000	31 - 60 days RM'000	61 - 90 days RM'000	91 - 180 days RM'000	>180 days RM'000	Total RM'000
<u>31.03.2018</u>						
Insurance receivables	16,029	3,895	4,424	-	-	24,348
<u>31.12.2017</u>						
Insurance receivables	7,292	3,437	2,364	134	-	13,227

The past due trade receivables above are collectable.

B15. ADDITIONAL DISCLOSURE INFORMATION (CONTINUED)

The Group records impairment allowance for insurance receivables in a separate allowance for impairment loss account. A reconciliation of the allowance for impairment loss for insurance receivables is as follows:

	Insurance Receivables	
	<u>31.03.2018</u>	<u>31.12.2017</u>
	RM'000	RM'000
As at 31 December 2017 / 2016	38	7,640
Changes on initial application of MFRS 9	872	-
As at 1 January 2018 / 2017	910	7,640
Additional allowance during the period	263	485
Reversal of impairment loss	-	(3,400)
Bad debts written off against impairment allowance	-	(4,601)
Effect of movement in exchange rates	-	(86)
As at 31 March 2018 / 31 December 2017	<u>1,173</u>	<u>38</u>

B16. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT

The audit report of the Group's preceding annual financial statements was not qualified.